REMARKS

Claims 1 through 21 are in the application, with Claims 1-3, 7, 15, 16, 19 and 20 having been amended. Claims 1, 7, 17, 19 and 21 are the independent claims herein. No new matter has been added. Reconsideration and further examination are respectfully requested.

It is noted that no substantive amendments to the claims are being made in this paper.

It is believed that the claim objections, and the rejections under § 112, second paragraph, have been addressed by the claim amendments indicated above.

Claim Rejections – 35 U.S.C. 101

Claims 1, 2, and 17 of the claimed invention are rejected as allegedly directed to non-statutory subject matter. Applicants respectfully traverse this rejection.

In explaining the rejection, the Examiner stated that "[c]ontracts and notes are both legal rights which are non-statutory matter".

First, applicants point out that the rejected claims, by their terms, are directed to a "method" which does constitute one of the statutory classes of subject matter, namely a "process". The rejected claims are directed to the process for generating the legal rights, and not to the legal rights *per se*.

Further, there is no requirement that a process, in order to be statutory, has to produce something that is also statutory. For example, processes to produce signals are clearly recognized as being statutory, even though the things produced—signals—do not themselves constitute statutory subject matter. In other words, a process is considered to be statutory even though the result of the process is not statutory. It is therefore respectfully submitted that the rejection under § 101 should be reconsidered and withdrawn.

Claim Rejections – 35 U.S.C. 103(a)

Claims 1-5 and 7-18 are rejected under 35 U.S.C. 103(a) as being unpatentable over "Internal Revenue Service Issues Guidance on Popular Equity-Linked Financial Products" by Shearman & Sterling LLP (hereinafter "Shearman") in view of "Information to Evaluate an

Adjustable Rate Mortgage" (hereinafter "ARM"). Similar rejections are also pending against claims 6 and 19-21.

Applicants respectfully traverse these rejections for the reasons set forth below.

Claim 1 is directed to a "method for issuing a unit to a holder". The method recited in claim 1 includes "creating a forward contract". Claim 1 further states that "the forward contract specif[ies] a settlement amount and a settlement date". The method of claim 1 also includes "creating a note securing obligations of said holder under said forward contract". Claim 1 states that "said note specif[ies] an initial capped remarketing, at least a first subsequent capped remarketing, and an uncapped remarketing, said uncapped remarketing performed only if each of said capped remarketings fail" and that "each of said capped and uncapped remarketings [is] scheduled to occur prior to said settlement date". The method recited in claim 1 further includes "issuing said forward contract and said note as the unit".

As explained in paragraph 18 of the present application, as published, the combination of specifying at least two capped remarketings, followed by an uncapped remarketing if necessary, provides a combination of advantages not realized in the prior art with respect to mandatory units, namely deductability of the interest on the note for tax purposes, while also qualifying the unit for Tier 1 capital treatment.

Initially, applicants observe that the Shearman reference does not go beyond the description of prior art mandatory units contained in the present application. It seems to applicants that the Examiner misconstrues footnote 4 of the Shearman reference. That footnote clearly implies that the remarketing of the note should be uncapped to satisfy the IRS requirement that the remarketing be substantially certain to succeed. There is nothing in Shearman's description of mandatory units and the applicable IRS guidance that in any way suggests the claimed combination of capped remarketings followed if necessary by an uncapped remarketing.

This deficiency of the Shearman reference is not compensated for by the ARM reference. Indeed, the ARM reference merely reflects the well known concept that for adjustable rate mortgages there is typically a cap on how much the mortgage interest rate may be adjusted.

In no way does the concept of capping the possible rate adjustment on an ARM provide any apparent reason why those of ordinary skill in the art would modify conventional mandatory

units to provide capped remarketings of the note followed by an uncapped remarketing. The entire field of ARMs has no bearing whatsoever on approaches for remarketing the note portion of a mandatory unit. More specifically, and contrary to the Examiner's assertion (at page 4, lines 6 and 7 from the bottom of the page), the ARM reference does not in any manner suggest or teach "at least a subsequent capped remarketing". Nothing in the ARM reference has anything to do with remarketing.

Still further, the prior art applied by the Examiner, taken as a whole, falls far short of teaching the remarketing strategy set forth in claim 1, in which capped remarketing of the unit note is first attempted (at least twice) followed by an uncapped remarketing if needed. The Examiner has thus failed to provide a *prima facie* case of obviousness with respect to claim 1. It is therefore submitted that the rejection of claim 1 should be reconsidered and withdrawn.

The above remarks concerning claim 1 are equally applicable to the other independent claims, which are claims 7, 17, 19 and 21. The dependent claims, in turn, are submitted as patentable on the same basis as the independent claims.

CONCLUSION

Accordingly, Applicants respectfully request allowance of the pending claims. If any issues remain, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is kindly invited to contact the undersigned via telephone at (203) 972-3460.

Respectfully submitted,

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Date

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